



2014-2015 Annual Report

Traverse City Light & Power is focused on providing Public Power benefits of safety, lower rates, high reliability, local control and exceptional customer service to the City and its residents and all Traverse City Light and Power customers.



South Substation

Our Message

As we write this piece the U.S. Supreme Court recently placed the Environmental Protection Agency's ("EPA") Clean Power Plan ("CPP") legislation on hold. The CPP is a set of regulations that will limit carbon emissions from existing power plants. The underlying issue with this legislation is the unprecedented legal authority the EPA is expressing over regulating greenhouse gases. The legislation provides building blocks of how the reduction in carbon emissions should be achieved. They are 1) heat rate improvements at existing plants 2) conversion from coal to lower emitting natural gas power plants 3) increased deployment of renewable energy and 4) energy waste reduction efforts. The largest legal question over the CPP is if the EPA has legal authority to impose these regulations on the states. Regardless of the legislative/legal wrangling, Michigan utilities are planning to reduce their carbon footprint through the retirements of several aged coal fired plants, deploying renewable energy, reducing energy waste, and switching to lower carbon emitting natural gas fired power plants.



John Taylor
Board Chairperson

At the local level, TCL&P has made great strides in providing safe and reliable electricity to its customers. After several community meetings with various community stakeholders the utility Board approved the West Side Transmission Line Upgrade Project, which commenced during the summer of 2015. This project required vast community input as the transmission line is located through one of Traverse City's natural preserves, Hickory Meadows, and a residential neighborhood. Community members questioned if there were viable alternatives to its current location. The Board ultimately approved upgrading the line in its current location. This project is one of the last steps in creating a fully looped system to allow for continuous service to the utility's customers if there was a single contingency event with one of the utility's other transmission lines.



Timothy Arends
Executive Director

As for power supply, the utility completed an Integrated Resource Plan authored by RTD Consultants, LLC that provided several recommendations. However, the overall arching recommendation was for the utility to work in collaboration with the Michigan Public Power Agency ("MPPA"), an agency created for the benefit of all of the state's municipal utilities in creating opportunities for joint action that enable them to competitively provide reliable, cost effective and environmentally responsible electric utility services to their communities. Over this past year the utility has worked with MPPA in securing purchase power contracts for the coming years at a lower cost than is being purchased today. However, the expected increase in generating capacity costs for TCL&P will likely offset those savings.

Technology is the future of electric utilities! That is the reason that technology is a high strategic priority of TCL&P. The utility is gaining operating efficiencies through instantaneous data access and updates, and the ability to provide up to date accurate information through various channels that in the end will benefit the utility's customers. The utility completed implementing Milsoft Outage Management System, a key to customer communication by providing a pictorial view of where the outages are and locations of crews working on restoring power outages. This software system also provides efficiencies for staff in managing the outage by enabling faster, more accurate detection and analysis of response to individual and system wide disturbances. This was evident during the August 2015 wind storm in Traverse City. The utility is continually improving the outage management system with the implementation of IVR (Integrated Voice Response), an automated call handling system. Simultaneously with the outage management system, the utility continues to research Automated Metering Infrastructure for consideration of future implementation.

TCL&P continues to create a long-term plan designed to implement programs and/or incentives that will manage load growth aimed at reducing peak demand. These programs will be implemented to achieve maximum energy efficiency outcomes for the financial benefit of all rate payers. Simply put, the lowest cost energy is the energy that is not needed.

Please know TCL&P is committed to the community by providing the public power benefits of safety, lower rates, high reliability, local control and exceptional customer service.

Our Year

Safety

The 2014-15 fiscal year was another good year which included the implementation of the Storm Restoration Manual and a complete review by the Safety Committee of the 2015 APPA Safety Manual. The Safety Committee continually reviews the Safety Manual in an effort to include any necessary updates of safety practices performed by the utility. In addition, only one lost time accident occurred, remaining the same as the prior year.

The utility continues to make safety a priority and is proud of the efforts the employees put into creating and maintaining a culture of safety.

Reliability

The utility invested in approximately \$150,000 in tree trimming which was 26 road miles and responded to 182 customer generated requests. A properly maintained right of way significantly reduces the length and occurrence of an outage. The utility's ASAI index (total of customer hours available divided by total customer hours demanded) in 2014 was 99.989%.

During the year, public meetings were held to discuss options and receive community input regarding the upgrade of the West Side Transmission Line. This upgrade was one of the final pieces the utility needed to have a complete looped transmission system, along with additional reliable sources of electrical power to the utility's distribution system, two from the south, one from the east and one from the west. After much community participation and discussion the Board agreed to upgrade the line to current day standards with the commencement of the construction occurring in July 2015.

In January 2015 the Utility substantially completed the construction of the South Substation. The South Substation was constructed to shorten distribution circuits and offload significant load in that area from the existing four distribution substations to improve system reliability. The substation is fully operational as of this writing.

Financial

As a result of a cost of service study, the utility had its first base rate increase since 2008 which equated to an overall 1.5% increase that was implemented July 1, 2014. This action starts the gradual move to eliminate subsidization between the customer classes.

Technology

TCL&P finished the construction of the WIFI project in the Downtown Development Authority ("DDA") district. This project was in collaboration with TCL&P and the Downtown Development Authority. This will allow community members and tourists the ability to connect to an open air Wi-Fi while enjoying what Traverse City's Downtown has to offer: beautiful beaches, parks and shops.

Generation

The utility completed an Integrated Resource Plan that provided several recommendations for the utility to consider in the future. The overarching recommendation was for the utility to work in conjunction with the Michigan Public Power Association (MPPA) on seasonal purchases, firm energy contract purchases, development of a long-term capacity purchase and a renewable energy program, and acquire mid-range capacity.

During the summer of 2015, the sale of the M-72 wind turbine was finalized. This was the first utility grade wind turbine in the United States when constructed in 1996. It was sold to Heritage Sustainable Energy LLC through a purchase contract in concert with a purchase power agreement allowing the energy to be sold back to the utility.

Employees

TCL&P employs thirty-eight full-time employees. In fiscal year 2014-15 the utility had seven employees who were recognized for their years of service, whether it was 5, 10, 15, 20, 25 or 30 years. We also wished three employees a happy retirement.

Energy Optimization

Through its customers engaging in energy optimization programs, TCL&P saved an additional 3 million in kWh's. This exceeded the state-mandated goal by 22%, saving enough electricity to power approximately 526 Traverse City area homes for an entire year! The savings were through free LED light bulbs and coupons for discounted LED and holiday light sets, incentives for purchasing ENERGY STAR® appliances, high efficiency HVAC systems, recycling old inefficient refrigerators, freezers, room air conditioners and dehumidifiers. In addition, business customers were offered incentives for upgrading equipment with greater energy efficiency including lighting, motors, air systems, refrigeration, HVAC units and building management systems. TCL&P was also a proud partner in the Habitat for Humanity net-zero Depot Housing Project and provided LED lighting and rebates for high efficiency appliances, HVAC systems and solar generation systems in all three homes. This project was a finalist of the Governor's Energy Efficiency Innovator Award.



Balance Sheet

Current assets

Cash and cash equivalents	\$ 9,098,003
Investments	13,220,402
Receivables	
Customer, less allowances of \$312,927	
for uncollectible accounts (Light and Power Fund)	3,324,609
Accrued interest	50,681
Taxes	18,663
Other	1,074,010
Inventories	1,736,452
Due from other funds	19,441
Prepaid expenses	17,808

Total current assets 28,560,069

Non-current assets

Other postemployment benefit asset	1,149,539
Long-term advances - due from primary government	3,000
Asset held for sale	980,900
Land and land improvements	1,395,691
Construction in progress	5,043,136
Capital assets being depreciated, net	45,812,710

Total non-current assets 54,384,976

Total assets 82,945,045

Deferred outflows of resources - Pensions 640,900

Current liabilities

Accounts payable	\$ 1,982,595
Accrued expenses and other liabilities	219,098
Customer deposits	98,386
Unearned revenue	34,840
Compensated absences	3,150
Due to other funds	19,441
Due to primary government	376,047

Total current liabilities 2,733,557

Long-term liabilities

Compensated absences	153,528
Net pension liability	10,458,719

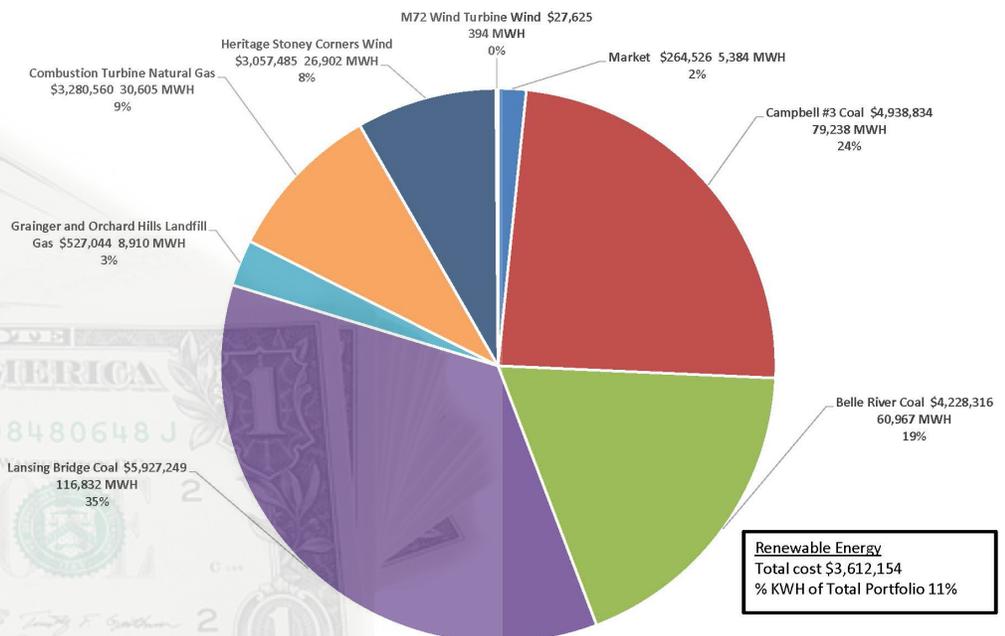
Total liabilities 13,345,804

Net position

Invested in capital assets	52,251,537
Unrestricted	17,988,604

Total net position \$ 70,240,141

Traverse City Light and Power
2015 Calendar Year Energy Consumption



Revenue and Expenses

Where Does it Go?

For every dollar paid to the utility, **64¢** is spent on purchased power and related transmission costs.

- 13¢ Capital Improvements
- 11¢ Distribution & Transmission
- 5¢ City Fee
- 3¢ General Administration
- 2¢ Customer Accounting
- 2¢ Public Service

Commercial
47.7%

Industrial
31.3%

Residential
19.2%

Where Does it Come From?

Public Authority
1%

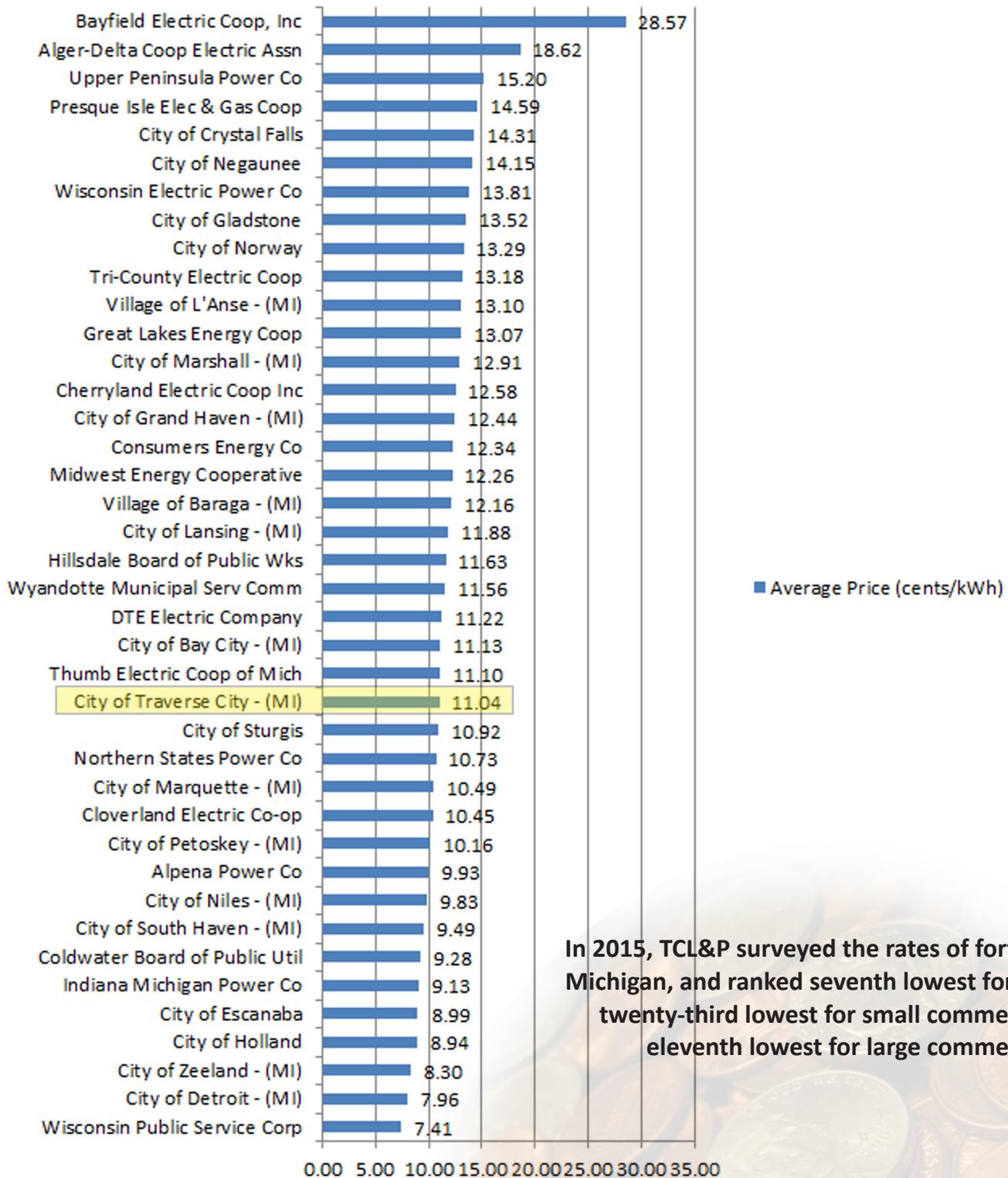
Street Lights & other
.8%

319.7 million
kilowatt-hours
purchased by our
customers

	FYE 2015	FYE 2014
Operating revenues		
Charges for services	\$ 34,652,551	\$ 32,745,945
MISO income	2,481,500	2,600,847
Other	265,290	174,454
Total operating revenues	37,399,341	35,521,246
Operating expenses		
Generation	22,855,173	23,219,126
Distribution	3,530,929	3,355,752
Transmission	406,584	299,449
Customer accounting	568,692	479,851
Public service	513,302	440,260
General administration	834,938	753,148
Fiber	101,209	117,280
WIFI	23,225	-
Other	59,036	60,293
City fee	1,876,047	1,787,315
Depreciation	2,274,546	2,117,293
Total operating expenses	33,043,681	32,629,767
Operating income	4,355,660	2,891,479
Nonoperating revenues		
Rental income	91,226	83,213
Reimbursements	439,170	637,768
Interest income	251,071	342,589
Change in fair value of investments	59,202	60,450
Gain on sale of assets	(428,620)	46,931
Total nonoperating revenue	412,049	1,170,951
Change in net position	4,767,709	4,062,430
Net position, beginning of year, as restated	65,472,432	70,845,490
Net position, end of year	\$ 70,240,141	\$ 74,907,920

Rate Comparison

Average Price (cents/kWh)
 (Information obtained from EIA - 2014 data)



In 2015, TCL&P surveyed the rates of forty utilities in Michigan, and ranked seventh lowest for residential, twenty-third lowest for small commercial, and eleventh lowest for large commercial.

Financial, Operating & Other Ratios

(Fiscal Years Ending June 30, 2015, 2013, 2011 and 2009)

Ratio Description	2015	2013	2011	2009	2013 APPA 10,000-20,000 Customers
FINANCIAL RATIOS					
Revenue per KWH*					
* All Retail Customers	\$ 0.109	\$ 0.090	\$ 0.086	\$ 0.083	\$ 0.092
* Residential Customers	\$ 0.118	\$ 0.096	\$ 0.097	\$ 0.094	\$ 0.104
* Commercial Customers	\$ 0.118	\$ 0.099	\$ 0.094	\$ 0.092	\$ 0.095
* Industrial Customers	\$ 0.092	\$ 0.076	\$ 0.070	\$ 0.068	\$ 0.071
Debt to Total Assets	N/A	N/A	N/A	N/A	0.234
Operating Ratio	0.953	1.140	1.058	0.946	0.863
Current Ratio	10.64	9.58	14.37	13.28	2.65
Net income per revenue dollar	\$ 0.120	N/A	\$ 0.050	\$ 0.156	\$ 0.073
Uncollectible accounts per revenue dollar	\$ 0.0011	\$ 0.0010	\$ 0.0007	\$ 0.0018	\$ 0.0017
OPERATING RATIOS					
Retail customers per employee	330	305	271	286	399
Total OM expense per KWH sold	\$ 0.096	\$ 0.097	\$ 0.083	\$ 0.070	\$ 0.079
Total OM expense per retail customer	\$ 652	\$ 664	\$ 682	\$ 608	\$ 400
Total power supply expense per KWH sold	\$ 0.070	\$ 0.073	\$ 0.059	\$ 0.049	\$ 0.065
Purchased power cost per KWH	\$ 0.070	\$ 0.074	\$ 0.059	\$ 0.049	\$ 0.061
Retail customers per meter reader	4,986	4,740	5,951	4,732	5,769
Distribution OM expense per retail customer	\$ 283	\$ 295	\$ 275	\$ 226	\$ 155
Distribution expense per circuit mile	\$ 10,088	\$ 9,980	\$ 9,363	\$ 7,633	\$ 4,840
Customer accounting, service and sales expense per retail customer	\$ 46	\$ 44	\$ 46	\$ 47	\$ 48
Administrative and general expense per retail customer	\$ 67	\$ 81	\$ 111	\$ 94	\$ 143
OTHER RATIOS					
OSHA Incidence Rate	0%	N/A	N/A	N/A	2
Energy loss percentage	0.88%	-1.17%	-0.26%	-1.15%	3.66%
System Load Factor	49.75%	49.07%	51.37%	50.73%	56.10%

Our Board

About Us

Total Customers 12,500

Miles of OH/UG Line 439.5

Total Employees 38

Years in operation..... 102

TCL&P proudly serves Traverse City and parts of Blair, East Bay, Elmwood, Garfield, Paradise and Peninsula Townships.

John Taylor, Board Chairman

Jan Geht, Board Vice-Chairman

Robert Spence III, Board Member

Patrick McGuire, Board Member

Jeff Palisin, Board Member

Barbara Budros, City Commissioner

Jim Carruthers, City Commissioner

Penny Hill, Assistant City Manager

Our Administrative Team

Timothy Arends, Executive Director

Stephanie Tvardek, Assistant

Karla Myers-Beman, Controller

Thomas Olney, Manager of Operations & Engineering

Scott Menhart, Manager of Technology & Telecommunications

Rodney Solak, Line Superintendent

Blake Wilson, System Engineer

Mark Watson, Field Engineering Supervisor

Jessica Wheaton, Manager of Energy Services & Key Accounts

Kelli Schroeder, Manager of HR & Communications

